



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: July 1, 2003

Person to Contact:

Identification Number:

Contact Telephone Number:

Dear Sir or Madam:

You received exemption from Federal income tax under Section 501(c)(7) of the Internal Revenue Code in .

A review of your records disclosed that you own and operate an 18-hole golf course, swimming pool, and clubhouse. The clubhouse has a dining area, snack bar, conference room, and office. In addition, there is a storage shed for golf carts owned by members and the club. Your activities include the following:

1. Golf tournaments during the year in which both members and nonmembers participate. During the golf tournaments or whenever the golf course is used, snacks, beer, and beverages are sold at the clubhouse. When there are no golf tournaments, the clubhouse is available for rental to the general public and members to conduct wedding receptions, parties, etc.
2. During the year you purchase advertisement in the local paper and the area advertiser inviting the general public to play golf at your course. Your club is listed in the local tourism guides and in the telephone directory as a public golf course. A sign located at the front entrance states that the public is welcome to play your golf course.

Your dues paying members have the right to vote, raise issues and voice their opinion on how the course should be run, receive unlimited rounds of golf, rent a golf shed for their carts, and use the swimming pool during summer hours.

For the year ending
was 46.49 percent.

nonmember use of your facilities and services

Section 501(c)(7) of the Code provides for exemption from Federal income tax of a club organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes provided no part of the net earnings inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1 of the Income Tax Regulations provides that, in general, the exemption extends to social and recreation clubs supported solely by membership fees, dues, and assessments. However, a club which engages in business, such as making its social and recreational facilities available to the general public, is not organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, and is not exempt under Section 501(a).

Revenue Procedure 71-17, as amended by Public Law 94-568, provides certain gross receipts safe harbor; i.e. Social Clubs may receive up to 35% of their total gross receipts, including investment income, from sources outside of their membership without jeopardizing their tax exempt status. Within this 35% limit, no more than 15% of a club's gross receipts may be derived from nonmember use of the club's facilities and/or services. If these standards are exceeded, a Social Club will not qualify for exemption pursuant to IRC 501(c)(7).

Based on your activities and financial records, you do not qualify for exemption from Federal income tax under Section 501(c)(7) of the Code since: 1) you are engaged in activities that receives income from nonmembers. This income exceeds the 15% limit as provided in Revenue Procedure 71-17, as amended by Public Law 94-568; and 2) The income from these sources are inuring to the benefit of your members because it is used for the maintenance and improvement of your club facilities.

Accordingly, your exemption under section 501(c)(7) of the Internal Revenue Code is revoked effective

We have also determined that you fail to qualify for exempt status under any other subsection of the IRC 501(c).

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for all years beginning

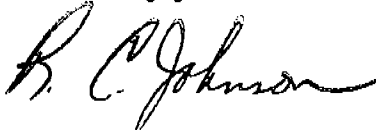
This is a final adverse determination of your exempt status under section 501(c)(7) of the Internal Revenue Code.

You have the right to contact the office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above since this person can access your tax information and can help you get answers. You can call 1-877-777-4778 and ask for Taxpayer Advocate assistance. Or you can contact the Taxpayer Advocate from the site where the tax deficiency was determined by calling _____ or writing to: Internal Revenue Service

Taxpayer Advocate assistance cannot be used as a substitute for established IRS procedure, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determinations, nor extend the time fixed by law that you have to file a petition in the United States Tax Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours

A handwritten signature in black ink, appearing to read "R. C. Johnson". The signature is fluid and cursive, with a large initial "R" and a long, sweeping underline.

R. C. Johnson

Director, EO Examinations